

WASHINGTON -- Nebraska and Iowa lawmakers declared their outrage at the lucrative bonuses paid by American International Group, which has received \$170 billion in federal bailouts backed by taxpayers.

"It's outrageous that they have the audacity to spend \$165 million on bonuses for the executives, many of whom are the very people who are responsible for the financial crisis that the nation faces," said Sen. Ben Nelson, D-Neb.

"If stupidity were a crime, these guys should all get life," said Sen.

Mike Johanns, R-Neb.

A "shameful act of corporate misconduct," said Sen. Tom Harkin, D-Iowa.

"Inexcusable," said Rep. Jeff Fortenberry, R-Neb. The AIG executives who claimed they were owed bonuses were a "disgrace," said Rep. Lee Terry, R-Neb.

To try to quell the firestorm, the company's CEO on Wednesday told a House subcommittee that some of the \$165 million by exposing it to new taxes. A House vote was likely today on a bill placing a 90 percent tax on the payments to top-paid executives at companies like AIG that received large bailouts from the federal government.

Republicans raised pointed questions about the extent of Geithner's advance knowledge of bonuses and stressed they had been locked out of discussions earlier this year when Democrats decided to jettison a provision from legislation that could have revoked the payments.

"The fact is that the bill the president signed, which protected the AIG bonuses and others, was written behind closed doors by Democratic leaders of the House and Senate. There was no transparency," said Sen. Chuck Grassley of Iowa, the senior Republican on the Senate Finance Committee.

Liddy's presence in a congressional hearing room was evidence of a bipartisan opposition to the bonuses, although his status as a \$1-a-year CEO called out of retirement last year to try to untangle AIG's financial mess made him a less-than-easy target for expressions of outrage.

"No one knows better than I that AIG has been the recipient of generous amounts of government financial aid," he said. "We have been the beneficiary of the American people's forbearance and patience," he added, acknowledging that patience was wearing thin. Liddy said that, on Tuesday, he had "asked those who have received retention payments in excess of \$100,000 or more to return at least half of those payments." Some have "already stepped forward and returned 100 percent," he added.

Asked by Rep. Barney Frank, D-Mass., whether he would turn over the names of individuals who received the money, as well as the amounts, he said he would do so only if assured that the information not be made public.

When Frank said he might seek a subpoena, Liddy said he was concerned about the safety of the employees and their families, and read aloud from a death threat received by one of them.

Ackerman later noted that Andrew Cuomo, the New York attorney general, was already seeking the names with a subpoena.

Liddy said the Federal Reserve knew long in advance of the bonus payments and acquiesced in them, noting that officials from the independent agency attend key company

meetings. But he said the same was not true of Geithner, adding, "We do our work with the Federal Reserve."

Liddy said the money was offered to executives in AIG's financial products section, where risky investments finally became the entire company's undoing. He said each executive was offered money to dispose of his "business book," meaning the transactions each had been in charge of handling. He added that thus far, the company's financial derivatives had been reduced from \$2.7 trillion to \$1.6 trillion.

He had decided it was worth paying the money to retain the services of executives who knew the business best, he said. And he had received legal advice that there were valid contracts requiring the payments.

"I know \$165 million is a very large number. It's a very large number. In the context of \$1.6 trillion . . . we thought it was a good trade," he said.

Liddy added that there was still a risk of financial catastrophe if the remaining \$1.6 trillion in financial instruments were not disposed of properly.

